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**Analysis of benefits of the process of certification on International  
Standards: ISO 9001-2008 for Mapfre Assistencia Portugal**

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## **1. EXECUTIVE SUMMARY**

This report provides a preliminary analysis and evaluation of the current situation of Mapfre Assistance Portugal in terms of productivity, performance, processes and need of implementing the ISO 9001:2008 standards for the assistance service (call-center). The decision about focusing on this part of the group of activities that compound the whole services and products is mainly addressed to the fact that this process is vital when talking about reducing or avoiding unnecessary costs. Thus, the study focuses on the performance in terms of services rendered, files opened, turnover along the years and complaints, as well as the analysis of the flow of process (call center) along with some statistics about ISO 9000, ISO 9001 and related data from competitors. The results showed that the processes are going accordingly with the expectations of the company as the number of complaints is low compared with the turnover, the services required have no high variations and productivity levels are significantly positive. This happens even when there are not documented records of the procedures that could contribute with the effective allocation of work and activities.

The report concludes that the possibility of Mapfre Assistance Portugal entering in a ISO 9001:2008 certification process is low, since the costs of certification are higher than the benefits that might arise, given the present strategic objectives that Mapfre Asistencia in Portugal is following, the economic situation of the country and the perception of ISO certifications in the sector and the country itself. The strategies of the company would require the use of different tools and the planning of different strategies towards the accomplishment of the general targets of the group (Mapfre Asistencia).

Thus, the recommendations are addressed more towards to policies that increase and improve the net of providers which can meet requirements and expectations from customers about solving issues related to greater speed and reliability. Therefore, relation management strategies will be more appropriate since allow the company to get to know the needs of different actors, namely: customers, suppliers, employees and managers; and finally keep focused on internal control in order to improve the dimensions rated as low by customers.

## 2. OVERVIEW OF THE COMPANY

### 2.1. About Mapfre

Mapfre is the leading Spanish insurance company and the largest in “non-life” insurance products in Latin America. Its name is the abbreviation of *Mutua de Accidentes de Propietarios de Fincas Rústicas de España*<sup>1</sup>. Created in 1933 and based on Madrid, the company has a workforce of about 36.774 employees<sup>2</sup> and is focused mainly in Spain, Europe and Latin America. Furthermore, the Group has presence in USA and Turkey, among other countries. Recently the company has opened a new branch in Australia which contributes to expand its market following the philosophy of becoming global.

Its current Chairman is Mister Andres Jimenez (Ex-Vice chairman), who came in March 2012 to replace Mister José Manuel Martinez after his retirement for personal reasons; and after a long and successful period leading the company and leaving it in a top position<sup>3</sup>.

### 2.2. Main Areas<sup>4</sup>

Mapfre has designed along the years three groups of customers (solutions), created to cover every single part of people and companies’ life. These groups are divided as following: Particulars, Practitioners, and Companies. In turn, each group of solutions is divided into different products and services depending on the objectives of every client: health, travel, properties, retirement, business etc.

Although the company has a wide portfolio of products, the main areas are the ones related with<sup>5</sup> automotive, health, home and life. Its main strategy to keep a good performance and control of the risks is the “re-insurance model”. It means that the company subscribes a contract with another insurance company in order to get more stability and solvency by “sharing risk” in any case of sinister that must be covered. This model is used by Mapfre since many of its services are global and the company is

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<sup>1</sup> See the organizational chart in Exhibit 1.

<sup>2</sup> 16.680 in Spain, 17.705 in America and 2.359 in other countries.

<sup>3</sup> With revenues growing every year (14,9% for last year), assets growing at 2 digits (12,7% last year), leader of the market in Spain and in non-life business in Latin America.

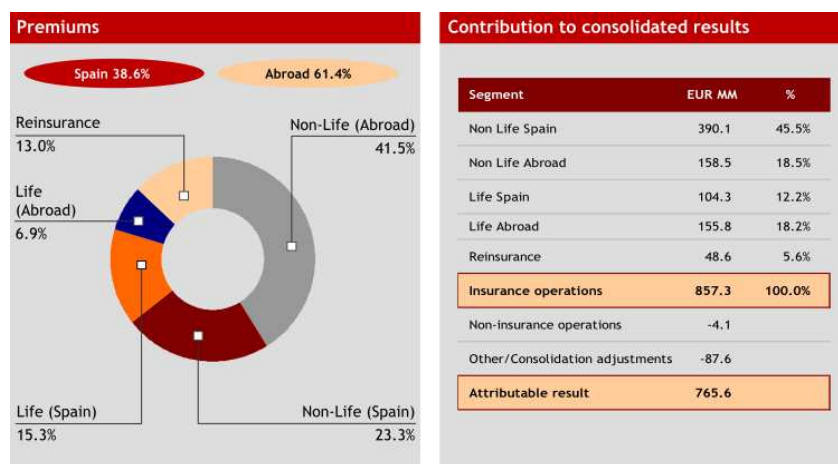
<sup>4</sup> See Exhibit 2 for information of the whole map of products and services

<sup>5</sup> The market share for these products in 2011 was: 21% for automotive, 6,1% for health, 17,1% for home and 11% for life products.

interested in offering a wider coverage in terms of money and scope (national & international).

Nevertheless, for the effects of analysis of premium and contribution of the products, the company's business can be divided into other categories that allow highlighting the areas on a different way of those of the three mentioned groups, namely: re-insurance, life, non-life (in turn, split between abroad & local). In this way, the different types of businesses can be pooled into new groups that offer an alternative point of view to analyze the whole business, such as: looking at the profit per product, net income or revenue growth.

The next graphic shows the results on five areas and separated in two results: aggregated premium and the contribution to the consolidated statements, considering the activities both within Spain and abroad<sup>6</sup>.



Source: 2010 Annual report

As we can see there is a significant difference in the results when seen by their premium<sup>7</sup> and contribution. We could consider the main product (non-life) and its two areas (Spain & abroad). For non-life-abroad services the company faces higher premiums, since the price of these contracts should be higher as it must have included the cost of the providers and its management fees of an event occurring out of Spain. These situations require to hire services from foreign companies that would charge a higher amount as they do not have a direct contract with Mapfre, being this specific factor what makes smaller the premium for the same products in Spain (as it can be seen

<sup>6</sup> Graphic taken from: 2011 – Results Presentation, page 9.

<sup>7</sup> An insurance premium is the actual amount of money charged by insurance companies for active coverage (price of the contract). In next sections it will be explained how this is calculated.

in the premium side). However, when we look at the contribution to the results of the same products and in the same geographical area, the numbers are completely different, being the “non-life-Spain” products the ones with better margin. This is because the premium set for this products is fully equilibrated through a wide net of providers and an efficient negotiation of prices<sup>8</sup>, allowing the company to render all the services that another company will do, but with lower cost. While, for the same services rendered abroad, the cost are higher since the company has no direct negotiation with providers and because the turnover of services is much lower than in Spain. It decreases the margin and impacts the contribution to the results. This highlights the importance of a good network of partnerships with foreign insurance companies, since it will give a competitive advantage over competitors.

### 2.3. Market Share

Mapfre has a very strong competitive position in Spain and Latin America, demonstrated by its very strong capitalization and its strong operating performance, together with a positive management team of practitioners that have led the company to obtain good financial results, even during the last difficult period where many companies in the sector -and other ones- have struggled with the effects of the financial crisis and the fear caused by it. Mapfre is currently present in 45 countries<sup>9</sup> and is the leading Spanish insurance group with an overall market share of 13,7% (in Spain) in 2011 and is also one of the strongest groups in Latin America, where it has a presence in 17 countries. This presence is sustained thanks to the diversified distribution network in Spain and the excellent job done in this matter in America and the other markets, which has resulted in an amazing increase of the *Gross Premium Written*<sup>10</sup> in the business outside Spain<sup>11</sup>.

In this way, Mapfre has increased its market share in America Latina and at the end of 2010<sup>12</sup> the company was the second group ranked with 7,4% behind of “Bradesco

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<sup>8</sup> This negotiations involve rates, priorities for each provider on each service, advertisement, etc

<sup>9</sup> See Exhibit 3 for the evolution of the international presence until 2011

<sup>10</sup> When an insurance company closes a non-life contract to provide insurance against loss, the revenues (premiums) expected to be received over the life of the contract are called “gross premiums written”. Thus, since the strongest area of Mapfre is related with non-life products, the gross premium has faced increases.

<sup>11</sup> This can be observed in the variation of the premiums by sector (Geographical Breakdown): (2009)

Spain=49%, Americas=26%, other=25%; (2010) Spain=41%, Americas=28%, other=31%

<sup>12</sup> Information of 2011 not yet available

Seguros”, taking into account all the groups and their products. Thus, in terms of “non-life” insurance, Mapfre is in the first position with 10,5% market share and the sixth in “life” insurance with 4,1% share<sup>13</sup>.

The increase in the premium of the business in South America was caused mainly due to the appreciation of the local currencies (principally the Brazilian real and the Colombian peso). Thus, Brazil -the largest insurance market in Latin-America- is continuously growing, being that the reason why the company is persistently more interested in diversified its assets by investing in this part of the world and other countries as a measure to manage the risk of having “most” of the investments in Spain<sup>14</sup>.

## **2.4. Revenue Model**

Mapfre follows the same basic model of the Insurance Companies around the globe. For the different products (policies) the company applies what is known as: “risk pooling and premium pricing”. Such a model consists in determine the likelihood of a loss<sup>15</sup> occurring for a class (pool of policy owners) and the price for that risk, which becomes the premium amount. Based on this information the company analyzes the willingness to accept the risk and set up the price that is linked to a distribution probability, depending on several factors and the type of policy. For instance, if a person wants to contract a policy for the car, items like: age, profession, brand and color of the car, hobbies and other aspects are taken into account to determine the probability that an “event” might occur in order to set the price for this contract. These prices are already set up and the people are pooled – as mentioned- into a class that determine these probabilities. The same process is made for each client and each type of contract a person wants to sign: health, home, retirement, life, business, travel, vehicle, etc.

In one hand, this basic premium model is supported by appealing services, coverage, and guarantees that make the clients feel comfortable and protected in any adverse circumstance at any time. The company has available many phone numbers and 24-hour services (call centers) ready to assist any situation the clients might need to be solved.

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<sup>13</sup> See Exhibit 4 for the ranking of groups in America Latina and market share

<sup>14</sup> See Exhibit 5 for the change in Geographical presence

<sup>15</sup> The meaning of “loss”, subscribes the occurrence of an event which implies cash outflows for the company: a car accident would be a loss or a person’s death would be a loss in a life policy.

On the other hand, this basic model is interconnected to the most important strategy that basically has been: “becoming global”. It means that Mapfre has implemented a process where many branches have been set up and other companies have been acquired strategically along the years in different countries, in order to expand the scope of action and to offer more and better services (globally thought) taking advantage of the local knowledge of every company, the reputation in the sector and the needs of every market. In this way, Mapfre has acquired companies along America<sup>16</sup> but without neglecting the European market. Several companies -that were in some point business partners- were acquired after being perceived their good and increasing performance. Mapfre wanted to seize the market of these partners and apply its own strategies to achieve better results. Thus, partners were acquired in: Colombia, Brazil, Chile, Argentina, Uruguay, Paraguay, Mexico, US as well as companies in Malta, UK, Belgium, among others. Exhibit 6 shows the historical record of acquisitions

In fact, the business model of the company is not very different from the ones from competitors in Spain or any other country, but what has made Mapfre the largest insurance company in the country and South America is the network of providers, the response and the quality of the service; meeting all the client’s requirements and expectations about coverage of their needs. The following table shows the ranking of insurance companies in Spain by market share and premium:

Table 1.4. Ranking of insurance companies 2011

Company	Market Share	Premiums	Certified
Mapfre	13,70%	2.158,97	ISO 9001
Vidacaixa Group	11,59%	1.983,77	ISO 9001
Caser	6,10%	1.044,33	ISO 9001
Allianz	5,21%	891,59	ISO 9001
Zurich	5,15%	880,78	-
Santander seguros	4,96%	849,24	ISO 9001
Grupo AXA	4,95%	847,52	ISO 9001
Generali	4,00%	684,96	-
Aviva	2,95%	505,42	ISO 14001

### 3. INTERNATIONAL STANDARDS

#### 3.1. About ISO 9001<sup>17</sup>

ISO 9001:2008 is among most well known standards ever and it is implemented by more than a million organizations in some 175 countries, helping organizations to implement quality management system based on the analysis of their processes.

<sup>16</sup> Mainly South America

<sup>17</sup> Presentation: “Overview of ISO 9001” - ([www.iso.org](http://www.iso.org))



Thus, in this sense “Quality” refers to all those features of a product (or service) which are required by the customer, meaning that when a company wants to implement a Quality Management System, it means that the organization wants to ensure that its products or services satisfy the customer's quality requirements and comply with any regulations applicable to those products or services. This would lead to enhance customer satisfaction, and achieve continual improvement of company's performance. Therefore, by implementing a quality system the company systematizes all its processes and nothing important is left out. It means that everyone in the company knows and is clear about who is responsible for doing what, when, how, why and where.

The ISO certifications have become popular since 80's and there is certain tendency to increase its participation in different countries in the world, depending on the type of business and requirements (industry and clients). In exhibit 7 we can see the top 10 countries per number of companies certified in ISO 9001 and the evolution of ISO 9000 of European countries from 1993 to 2007.

As they show, Spain is one of the countries (top 10) with more ISO 9001 certifications or companies certified, which means that customers, providers and employees look at the certification as a positive signal and as a requirement that offers confidence in the products or services that companies sell as we saw on the previous table about the top insurance companies in that country. In our specific case in Portugal, data shows a different landscape about quality perception and requirements from customers and providers, since the country is ranked in the 35<sup>th</sup> position<sup>18</sup> over 53 countries with an evolution that is situated far away from Spain in these terms.<sup>19</sup>

The table of ISO 9000 evolution on the exhibit 7 can be used to further compare Portugal with the closest neighbor Spain (and where the company belongs) based on their number of ISO 9000 certifications<sup>20</sup> which until 2007 were: 65.112 (Spain), 5.283 (Portugal) representing only the 8% of the number of certifications obtained for Spanish companies. This data can reflect and highlight some cultural differences (customer &

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<sup>18</sup> According to data from Instituto Portugues da Qualidade (IPD)

<sup>19</sup> See Exhibit 8 for the evolution of ISO 9001 in Portugal

<sup>20</sup> The data considers the whole group of ISO 9000 standards that have been applied by each European country, different from the Graphic 3.1.1. that shows the certifications only in ISO 9001.

providers' requirements and priorities) on each country, even when we talk about the same company.

#### **4. MAPFRE ASSISTANCE PORTUGAL**

Companies have different objectives when thinking about certification. These goals are fueled by several reasons that can be framed as external or internal, depending on what managers think would be more convenient or urgent for the company. External reasons are related with advertisement, marketing, reputation, recognition from providers, customers and competitors. In this case, it might be the case that the company already has deployed an efficient quality system and that the certification would be the only step missing to get the credibility. Also it might be that the company has not completely implemented the quality system, but thinks that by implementing one through the certification, it would bring superlative advantages in terms image, if it is publicly known. This provides, at the same time, organizational improvement on the aspects like efficiency on the internal processes, defined functions and responsibilities and better internal control (audit), which in turn would enhance its name. For internal reasons, managers will primarily look for benefits like: organizational improvement, cost reduction (wastes), efficiency and anything that cannot be perceived directly by the market but entirely by the direct customers/providers and employees, as they can feel that the company is doing better now.

Thus, some authors<sup>21</sup> say that companies pursuing certification and looking for internal benefits can perceive better results than companies looking for external reasons. They say that this can be explained by the effort these companies put on really improve the processes and because of their commitment, while companies led by external reasons seem to think that the task is done once they get certified and that the document will do the rest. Of course it is not a general rule, but it also might make sense when we think about how managers feel about the company they lead, and when they realize that things are not going well enough as they should. They know they must do something in order to avoid losing customers, sales, market share and profits because internally things are wrong or could be better than current.

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<sup>21</sup> Llopis and Tarí (2003), Jones, (1997), Brown (1998).

#### **4.1. Managers' point of view at Mapfre Assistance Portugal**

In our case, the General Directive at Mapfre Assistance has the perception that, in one hand, the certification will not bring big competitive advantage to the company, just by looking at the certification levels in Portugal (Exhibit 8) and the statistics of competitors certified<sup>22</sup>, along with the current economical situation where consumers -in general terms- look for price at first due to the impact they suffered on purchasing power<sup>23</sup> with the increase in taxes and the current level of salaries. Nevertheless, this does not mean for them that the company would not need to work on high quality levels of service; Mapfre Portugal and the whole group (Mapfre Asistencia Group) do look for and want to implement services and processes framed on best practices and quality standards. However they consider that the cost of incurring in certification will not be fully paid by the market due to this special time we are living in. Nevertheless, the company recognizes that even in the current environment (crisis), the relationship quality/cost is still an important factor to differentiate from competitors. We should consider that currently the major strategic goal for any big company is the international expansion; therefore as the industry is already globalized, the effects of poor quality in one country quickly flows as information to other countries where companies work, even more if those target countries care about quality standards (e.g. the top ten countries).

Managers at Mapfre Assistance Portugal are most of the times concerned about how does the company respond to clients in two senses: rendering the service<sup>24</sup> and answering complaints. The second one could be the one that directors care most, since this many times represents higher costs for the company (it will be better explained in the next points), as this process tries to restore customers from an abnormal service or situation (low quality service). Thus, managers are more focused on the “Quality and Complaints Department” and see it as the main focus on quality they have right now. This department is mainly charged of leading all complaints submitted by customers when feel affected by a service that was not enough to solve their needs and which may have caused cost, losses or damages to them and want a retribution for it. This

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<sup>22</sup> See Exhibit 9 for the insurance companies certified in Portugal, separated per Life, Non-life and mixed products along with their market share.

<sup>23</sup> Purchasing power of Portuguese people compared with European countries is 80%, far below from countries like Ireland (128%), Italy (101%) and Greece (90%). Even when the last countries were deeply downgraded last year.

<sup>24</sup> Which means giving the right service on the right time.

information is pooled and afterwards presented in the periodical meetings, in order to review how the services are being rendered, what are the main causes of claims and try to implement corrective (reactive) actions towards quality.

In the next sections some information is shown, namely: maps of processes, statistics and graphs that will help to better understand the process we are focused and to bring more tools to the decision of whether a certification would be or not convenient for the company in the current circumstances.

#### **4.2. Map of Processes Mapfre Assistance Portugal**

One of its most important functions is related to by-phone assistance given to the policy-holders through a call-center located in Lisbon, but it is not the only task addressed to its charge. Daily activities involved such responsibilities as: deal with guarantees contracted for vehicles or appliances, commercial contracts<sup>25</sup> and call center services. These activities are organized on interconnected departments to accomplish the company's objectives. The chart on Exhibit 10 shows the map of the processes of Mapfre Assistance Portugal.

The chart is made in the way that highlights: customers' needs, planning processes, Key processes, Supporting processes and finally the outcome obtained from them. Thus, by its understanding we would be able to go deeper into the process we are interested on describing and analyzing.

#### **4.3. Mapfre Assistance - Operations**

As mentioned before, the call center is the target for certification since is the area that has a direct (by-phone) contact with the clients in the "in-need" moments (what is also call "true moments"), as well as because of its strong financial impact in case things go wrong and result on complaints against the company. So, it crucially depends on how prepared and how standardized are the processes and the people in order to assist any situation that might be differently taken and carried by each one (operator) since every situation<sup>26</sup> becomes special sometimes.

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<sup>25</sup> Get new contracts with different companies: banks, travel agencies, automotive firms, etc.

<sup>26</sup> This is mainly in technical and medical assistance. Even when operators have access to the information for each policy, some information can be differently addressed and taken in the moment the call is received, but basically these situations do not change from one to another.

If the operations are not controlled well enough and standardized, it may cause two important outcomes to the company, having an important impact in the medium term: in one hand the increase in costs due to the number of claims & complaints submitted by customers that many times generate higher outflows than the ones paid by the normal coverage of the policy or service<sup>27</sup>. On the other hand, any similar situation might cause a serious negative damage on loyalty and retention of current clients and the reputation for potential ones.

Exhibit 11 describes the Assistance Area (call center) in the same way made before, highlighting the activities and departments involved. In there, we can notice that this is the main activity of the company, since it includes units and processes that came out in the map showed before. As it can be seen, the main need of Mapfre's customers (in terms of assistance) is addressed in three directions: right solutions at a fast time<sup>28</sup> in a friendly way. This means, that a client that calls to Mapfre Assistance has a situation that needs to be solved, but not only to be solved; the client requires speed by solving this issue as well. In this sense, the company must be effective by solving "abnormal issues". So, it might be not only solved by being fast and friendly receiving the calls, getting the data and asking for the service. The quality of the service also depends on how the supporting departments work on, for instance: having *efficient relations* with the net of providers in terms of payments, resolution of issues, negotiation of rates, confidence; also the IT department must be able to solve efficiently any inconvenient with the equipments, internet, and connections. However, everything starts by how all the tasks and activities are organized linked to the acquired skills<sup>29</sup> of people in operations.

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<sup>27</sup> Many times situations can be solved with an easy and right decision, but things can go wrong if the operators interprets the customer's requirement in a wrong way neglecting the service or rendering the wrong services (due to inexperience, training or lack of standardization of procedures) causing waste of time and second services. These situations normally generate claims from the customers, making the company to pay the services rendered on the day and services organized by the insured him/herself and economical compensations for different reasons.

<sup>28</sup> Characteristic of a 24h hour call center, which main services are technical and medical assistance.

<sup>29</sup> Operators hired by the company, go through a period of training where they first get to know the policies, the software and its functions, the process to fill out the information in the software and finally have some assisted practices listening calls with a colleague to gain confidence.

#### 4.4. Operation Unit – Statistics & Flow Diagram

To highlight the main issues that this process claims, the exhibit 12<sup>30</sup> shows the sequence of steps (flow) needed when a policy-holder calls asking for two types of assistance. In this chart is described on an easy way each activity, questions asked and decisions that can be taken on each point. Additionally, exhibit 13 collects statistics based on information from 2010 and 2011 with the turnover of services, main services asked by customers and type of assistance (per risk), that will help to make a better analysis of the process and frame it to the possible need of a quality certification.

First, it is included the total number of services –turnover- given to the policy-holders and split by month, considering all the services that can be required in any product. However, these charts do not show the number of calls (only the whole services rendered), meaning that in one call<sup>31</sup> several services or none can be created. The graphics shows that the highest levels of services are July, August and usually December (with certain variance on each year), being August the crucial one, since is the pick of summer and the time of the year when many people are travelling, in turn creating higher probabilities of events occurring (accidents, diseases, breakdowns).

However, most of the assistance is concentrated in few services showed on table “ranking of services” of exhibit 13. That table shows the top services or what are the most common asked by customers. The data contains 97 services, but only three of them represent more than 80% of the services normally required, being the “tow service” for soft vehicles the service that has highest demand among the whole services (with more than 60% in 2010 and 2011)

Nevertheless, there are other services that have much less demand than the ones on the top, namely: surgeries, flights, house-call doctors or specialist<sup>32</sup> appointments, that compared with the turnover or demand of tow services and taxis is quiet lower, but it does not fully tell us how important or vital they are in the assistance. These statistics

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<sup>30</sup> For medical and technical assistance

<sup>31</sup> Considering that there is an average of 350 per-day calls. They would be 10500 per month on average. If one service is created on each call, the number of services would be much higher than the amount showed on the graphics.

<sup>32</sup> Dermatologist, urologist, ophthalmologist, etc

can help the company to understand and get a better idea about the main tasks in order to address “coaching” and “correcting” efforts towards the improvement of the service.

Finally, the table per-product (exhibit 13) or what is call “per-risk”<sup>33</sup> shows the detail of how many files are opened for each type of product the company has and the number of files opened and required by another companies (partners, external and foreign). In exhibit 14, we can find a brief description of what each product means or cover to help understanding what might be required on each opened file and when we talk about a file asked by an external company.

Clearly the table “per-risk” highlights that the activities of Portugal Assistance are mainly addressed to the technical (automotive) side with an average of its services around 90%, which might be helpful for the company in two directions: strengthening the technical knowledge and enhancing the creation of training plans for operators in order to low the probability of errors and keep a good level of service; and working with commercial areas of Mapfre in order to concentrate more efforts on the other products, so the company will not depend in one single package of products.

Thus, analyzing this data and the data from Complaints Department (next section) we would be able to make some conclusions about the certification on ISO 9001:2008

#### **4.5. Complaints data**

The Quality and Claims Department manages all complaints from customers as it was mentioned before, when occurs anything abnormal during the assistance and the customer feels affected economically, physically, morally, etc; he/she submits a formal communication to the company together with an economical compensation or reimbursement requirement. This activity collects data that at the end will offer information about the main reasons of complaints, the products related and the number of favorable & unfavorable decisions given to customers; finally helping determining

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<sup>33</sup> “Per-risk” means “per-product”. In insurance the products sold by the companies represent risk of losses in case of any event occurs and need to be assisted (outflows).

how well the company is doing on its process. The tables on exhibit 15 will show a brief summary of this data<sup>34</sup>.

The numbers show that for the number of calls received<sup>35</sup>, the number of files opened and services required; the amount of complaints is not significant in percentage as we saw on exhibit 13, when more than 55.000 files were open in the different products and the number of complaints was 118 for 2010 and 268 for 2011, which does not reach 0,5% of the number of files or assistances given. Besides, from these complaints we should consider the number of them that resulted *favorable* for customers: only 19,5% of the 118 complaints for 2010 (23 complaints) and 16,8% of the 268 complaints for 2011 (45 complaints). On average, only 0,05% of the files opened resulted on a favorable complaint to the customer, which is significantly low.

It represents a very small number for the turnover of assistances per year, but the fact that the number of favorable complaints is small it is not due to the fact that the company is only denying requests; this is mainly due to the fact that most of customers do not fully know the contracts they have and the coverage of them. Therefore, when they require assistance, they think they have coverage for many items that were not included in the contract they signed, what obviously would cause dissatisfaction since they had a problem or situation that needed to be solved, but which does not mean that the company is abusing customers through misleading advertisement or any dishonest action.

#### **4.6. Statistical conclusion**

The statistics seen before, show that the files (assistances) are quite concentrated in few products or risks (92%-95% for technical and medical products) and that the assistances required mainly 10 services<sup>36</sup>, being crucial in summer and winter, which are the

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<sup>34</sup> Guarantee on the table refers to the contract made by a client with the car company when they purchase a new car. Clients have technical assistance for 2 years (on average) in case of any breakdown or mandatory technical assessment.

<sup>35</sup> Average of 350 per-day (mentioned before)

<sup>36</sup> Highly concentrated on towing services, the most required service for automotive products (technical assistance).



periods of the year where people show the highest trend to travel (by car or any other transport).

It means that the process does not suffer many changes along the year and that it could be “easily controlled” with some constant measures and revision from supervision and managers. That can be proved by looking at the levels of productivity calculated per month<sup>37</sup> which oscillate between 88% - 94% with a workforce on average of 18 people (operators only) working on different schedules of the day<sup>38</sup> and during the whole week.

Thereby, analyzed from this perspective, it seems that the unit is doing quite well and that major changes should not be necessary in order to really improve internally. Although it should be highlighted that customers’ satisfaction is not being measured directly. This means that it is taken into account the statistics of complaints, but managers, directors and supervisors do not address surveys to the customers in order to know the quality of the service they have received, which is an option that could bring more tools for the company to analyze.

## **5. BENCHMARK AND SURVEY**

### **5.1. Certification of Mapfre Assistance Madrid**

Eva Reguillo from the *Department of Strategic Planning, Processes and Quality*, who was in charged -together with three more practitioners- of the process of certification on ISO-9001:2000 in 2006<sup>39</sup> for several units, gave us on a brief interview some insights about the main reasons in the decision of initiating the certification process and the expectations Mapfre Asistencia Spain had from it. At the interview it was not possible to get quantitative information that could help analyzing better the impact and outcomes brought by the whole process once it was accomplished the certification.

These reasons of the process done in Madrid were addressed to the fact that the company had some market requirements that created the need of getting certified. First,

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<sup>37</sup> This level is computed by counting the number of incoming-calls and the number of missed calls (lost because all the operators were busy and the customer hangs off the call). This is in fact is the most important measure considered by the unit in order to track the level of service, but incomplete at the same time, since it would not generate a strong strategy to overcome the difficulties that might arise.

<sup>38</sup> There are three shifts: 8H to 17H, 14H to 23H and 23H to 8H.

<sup>39</sup> The process started in January 2006 and finished (certification audit) in September 2006. The certifier body was BVQI, one of the world leaders in certification with more than 400.000 clients.

Spain is one of the top-ten countries on ISO 9001 certifications, meaning that customers require and trust in certified companies when deciding about purchasing a product or a service, as it was showed on the table in section 2.4. (Ranking of insurance companies in Spain) where 8 of the top 10 largest insurance companies are ISO 9001 certified. People require high levels of quality and do have criteria about the quality standards companies must follow in order to satisfy their expectations; moreover they actively claim for these issues making the companies to be aware about it. Second, Providers were also involved on the chain. Mapfre Assistance in Madrid was into a situation where certified providers were claiming about its certification. There were several ISO 9001 certified providers<sup>40</sup> working for Mapfre, but the company was not certified. That would become another reason pushing the company to get into the process and really care about the certification as the proper tool to show credibility. In fact, it was already recognized but it also needed to be represented by the document -the stamp- in order to gain the advantage stated in the global strategies.

In Spain the quality strategy was aligned with the overall strategic objectives of Mapfre and played an important role. The company was thinking on different strategies to increase market share, retain current customers, improve the relation with providers, improve the internal activities (auditing), among others; and the certification was part of the tools the company would need in order to get the goals accomplished. ISO 9001 certification was going to work together with other tools and was thought as one of the options that could fit well enough, due to the issues mentioned before (recognition from market), as it becomes a competitive weapon to differentiation, brand awareness, loyalty, besides of cost reduction and improving effectiveness.

On these activities, the people charged of documenting the processes did not need to make a previous analysis about the convenience for the company in terms of cost, impact or any other item that could be analyzed, because of the initiative already came from the top direction, which is one of the main requirements to implement a quality strategy. Therefore, internal auditors just needed to start working on the certification and get it done as soon as possible.

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<sup>40</sup> Taxi companies, tow providers, hospitals, clinics, ambulance companies, etc.

## 5.2. Customer and employee's voice in Portugal

In our case of Portugal, pressures for certification coming from providers and customers seem not to be the main issue. It does not mean that they do not worry about quality standards, but it seems to be different when talking about pressures coming from them and the expectations they have of the service. In fact, customers and providers always expect a service with good levels of quality, which in this case for a call center service (for assistance) would be: timing, right services, coverage of those services, etc; but, in one side, not all providers are quality certified and on the other side, customers are not that much actively involved claiming this from their companies, which was proved on exhibit 9 with the number of *insurance companies* certified and the total number of companies certified in the country per year (exhibit 8). None of the top companies were certified and the country is in 35<sup>th</sup> position (out of 53) within the European territory in terms of ISO 9001 certifications.

Thus, to try to understand the expectations and perception customers have of the call center service, the SERVQUAL model has been used, allowing to know the GAP's between these two points, although it can also be used to gauge GAPs between customers, management, employees, providers, etc. For the exercise the model was used only to measure the difference in Customer's Expectations and Perception of the service rendered. The questionnaire, results and its objective are shown in the exhibit 16.

The sample of consumers<sup>41</sup> to obtain the information about expectation of the service was taken randomly among students, workers and any person of different ages; but all of them users in any form of the services of an insurance company and its call-center service. It had to be done in this way because it is hard to know previously who will need a service from the company. There are people anywhere in Europe that could need help with their cars, medical assistance on South America or claim a guarantee here in Portugal. On different services like hospitals or banks it is easier to have the results of the survey from the same customer before and after the service is rendered, but in our case it was not possible as the contact with the customers is not direct (personally) on some office that allows to give the survey to be filled out. Besides, once the phone call is received, that is not the right time to ask to fill out the survey. On the other hand, to

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<sup>41</sup> 65 people

measure the *Perception* of the service, the operators were asked to send an e-mail to the customers that received services during a period of two weeks<sup>42</sup>. The sample included 48 customers asking for different types of services (tows, medical appointments, taxi, follow ups, technical guarantees, etc).

We noticed that the points where customers gave the lowest qualification were Empathy and Assurance (-1,26 and -0,55 respectively on average). Company's timing (reliability) is within the normal performance, but it also can be improved as well as responsiveness. But in terms of empathy, customers think that the company seems to not to understand their needs and that does not show the best interest (points 17-18 of the survey). In general terms the expectations are higher than the final perception, although the GAP is not that big to generate overreactions. The company would need to work to improve mainly on the lowest points in order to improve the quality of the service, which has to be linked with the productivity data showed in previous sections. Further recommendation will be provided at the end.

## 6. COSTS OF CERTIFICATION

### 6.1. Certifier Budget

To have an idea about the cost of getting into the certification process, the company APCER<sup>43</sup> has been contacted and asked for a budget to certify the operation process (24-hours call-center service) with 21 employees involved<sup>44</sup> and only one building (office) to certify. As it was said before, even though other activities are run in the building, it has been considered *Assistance (Call-center)* as the most important in terms of need of quality standards. Exhibit 17 presents the costs incurred in the certification

The figures do not include expenses related to the Certificate (224,48€)<sup>45</sup> and the transport plus accommodation expenses of the auditor. Additionally, after getting

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<sup>42</sup> From the 15<sup>th</sup> of May until 26<sup>th</sup> of May.

<sup>43</sup> Stands for: Associação Portuguesa de Certificação. Company founded in 1996 and is one of the leaders in certifications in markets like: Portugal, Spain, Brazil, Angola, China (Macao), Mozambique and Morocco.

<sup>44</sup> 16 operators, 3 supervisors, 1 coordinator and 1 Doctor (for medical files)

<sup>45</sup> Amount charged by law to all the companies getting certified. This amount is invoiced by the certifier (APCER) and forwarded to the official entity in Portugal (IPAC – instituto Portugues de acreditação), once it is paid.

certified, the process has to be reviewed and the certificate needs to be renewed. It means that during the 2nd and 3rd year of the cycle of certification, audits are conducted yearly, intended to check the maintenance of the system accordingly. This audits would cost **830€** per year (excluding the expenses of transport and accommodation of the auditor in charge).

## **6.2. Personnel, cost and time needed**

Regarding the personnel that must be involved on the process and after being discussed with some people of the area (from and out of the company); they advised that for the profile of this certification (size, scope, number of employees and process to be certified), the company would need to have at least one person dedicated full-time to apply the ISO 9001:2008 standards to the call center (assistance) process<sup>46</sup>. It means, understand the processes involved, describe them and document them, in order to prepare the certification audit that would happen in six month from the time the project begins<sup>47</sup>. This is the period of time estimated for the project, since there are not many processes to document (compared with bigger certifications) and because there is some job done in Madrid that can be used and adjusted to our needs. Thus the professional profile of this person should be the following:

- ✓ Education level: Degree in management and/or Quality areas/ Degree in any career in science (finances, economics, or industrial engineer)
- ✓ Experience: minimum 3 years working in insurance companies or related.
- ✓ Training as auditor: 60 hours.
- ✓ Experience in auditing: 2 training-audits (advisable on service companies)

A person with this professional profile will cost to the company 11.000€ per year, only talking about gross salary. It would be 917€ (grosssalary) per month plus 9,65€ per day ( 241,25€ per month) for feed allowance<sup>48</sup>. Resulting in a total of 1.158,25€ per month, excluding the expenses charged to the company for pension and social security. The following table shows the estimated cost for six months until certification.

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<sup>46</sup> Internal auditor functions

<sup>47</sup> If the project begins in June, the professional would be working until November or December when the certification audit is done.

<sup>48</sup> Normally paid at this company

**Table 6.2. Cost of certification**

ITEM	June	July	August	September	October	November
<b>Certifier</b>	200 €	-	830 €	-	-	830 €
<b>Expenses Auditor</b>	100 €	-	100 €	-	-	100 €
<b>Base salary I.A.</b>	917 €	917 €	917 €	917 €	917 €	917 €
<b>Feed Allow. I.A.</b>	241,25 €	241,25 €	241,25 €	241,25 €	241,25 €	241,25 €
<b>TOTAL</b>	<b>1.458,25 €</b>	<b>1.158,25 €</b>	<b>2.088,25 €</b>	<b>1.158,25 €</b>	<b>1.158,25 €</b>	<b>2.088,25 €</b>

\* I.A. = Internal Auditor

These costs added to the cost of the certifier and the certificate would go up around 11.000€, including the cost of renewing the certificate.

## **7. MATCHING STRATEGIES WITH CERTIFICATION**

### **7.1. Global strategies**

Mapfre Asistencia (group) has planned a set of strategies to achieve several strategic objectives related to resources development, market expansion and internationalization. These strategies involve all the companies of the group<sup>49</sup>, and the intention is to create worldwide objectives. In general terms the strategies that are connected with quality concepts from the whole group are: improve the internal control, quality management approach, increase brand recognition<sup>50</sup> and retaining clients. Exhibit 18 shows the “Strategic Map 2012-2014” for Mapfre Asistencia, where the whole group of strategies is presented.

Each company of the Mapfre Asistencia group should work led to achieve these general objectives and each one has certain level of independence to implement its own policies. Amongst the techniques used on these quality projects<sup>51</sup> are: satisfaction surveys to customers, surveys of quality perceived by corporate clients, interviews to suppliers and internal surveys on different processes. Hence, the global targets for the group are addressed to keep the growing path (profitability), innovation (products and services)

<sup>49</sup> Europeans like: Italy, Belgium, Ireland, Portugal and Greece. But also the companies of the group in other territories: America, Asia.

<sup>50</sup> However, it does not depend on quality concepts. Marketing has more tools to implement in order to get this, also and linked to the commercial side offering and creating more and better packages of products.

<sup>51</sup> For instance “Project 360”, which is the Project led by the Strategic Planning, Process and Quality Area of Mapfre Asistencia Spain.

and balance in the activity (international expansion and local markets), framed mainly in two projects: neptuno project and project 360; led by the planning and quality department.

## **7.2. Certification vs Strategies**

The certification on ISO 9001 needs to be aligned with the current needs of the company and its strategies. Based on the statistics of the internal performance (services, files, complaints, productivity) and the analysis of statistics of industry and country about ISO 9001 certifications, it seems that the strategies would need to be oriented to different tools that help to achieve the global objectives of the company. Certainly any company should be always worried about meeting and exceeding customers' expectations and to do so, several actions need to be deployed in order to retain the market share and develop it to gain more space. For this case, a strategy based on quality certification (ISO 9001) maybe would not compensate the cost of the investment on the process, since the market does compete on these terms as it happens in Spain (e.g.). Given the information on exhibit 9, none of the top insurance companies have a certification and the country until 2011 has 5558 firms certified, which compared with Spain (roughly 60.000 in 2011) is significantly lower. Such landscape would lead to think on a different perspective about the strategies that the company should follow just because a quality certification would not fully meet both customers and company's requirements about quality of the service and better solutions. We saw on the SERVQUAL survey that customers had mainly bad perception in terms of empathy and assurance, more than on dimensions related with reliance. This means that Mapfre Portugal should address its effort towards aspects related with understanding customers' needs on the "true moments" and "personal treatment" to improve the trustiness in the assistance they need. However, the survey also showed a tight accomplishment of the needs in terms of reliability and responsiveness, which cannot be disregarded even when it was achieved and when complaints data tells that performance is within the acceptable terms.

It is a fact that any company is looking for being the leader of any market they are working on, and it must be the global target of Mapfre Assistance Portugal, as it has been achieved in Spain and Latin America. Nevertheless, each market has its own particularities to get this objective. In Spain the strategy included the certification as one

of the drivers to grow and gain market; in Portugal the strategy seems to be more oriented towards two directions: get constant feedback from customers (SERVQUAL) in order to meet and know their needs<sup>52</sup> and improving the net of suppliers, which would work on the reliability dimension mentioned before. Surely, it would not be only a theoretical effort about knowing customers' needs, but also an innovative job from the commercial department by creating new products and solutions that bring differentiation from competitors, doing benchmarking, competing on new fields, improving current products, etc.

Based on information from IAAR<sup>53</sup> that conducts surveys about the impact of ISO 9001 in different companies from different industries, the most frequently external benefits of certification were: improved perceived quality (57%), improved customer satisfaction (55%) and competitive advantage (38%). Considering that information, for the case of Mapfre Assistance Portugal, a quality certificate would not bring great benefits, as customers would not recognize the certification as a signal of better quality and most important it would not bring competitive advantage since most of important companies in the industry are not certified, neither suppliers. As internal benefits, the research recognized: greater quality awareness (73%), better documentation (73%) and increased efficiency (37%) as the main impacts. These points could be reached by improving the internal audit (as it is in fact one of the strategies) that allow to gain internal control of the processes, in turn improving efficiency and creating (expanding) culture around quality standards into the company.

Thus, quality certification would not be the strongest tool to be included on Mapfre's Portugal quality strategies, as it would be short for the effort it required, the investment, the recognition gained and the general results it would create for the company. Here the company may implement the strategies contained in the whole plan for the group, mentioned before: measurement of perceived quality, directed interviews, satisfaction surveys, internal assessment of satisfaction<sup>54</sup> and negotiation with strategic clients. These activities are oriented to customers, suppliers, corporate clients and employees.

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<sup>52</sup> By knowing customers' needs the company will be allowed to improve current services and work their weaknesses, but also it would be an important tool to develop a new portfolio of products (or improve the current) in order to compete for Top positions on the market.

<sup>53</sup> Independent Association of Accredited Registrars

<sup>54</sup> Currently there is a program being developed by GFK Group about it through on-line surveys.



## 8. RECOMMENDATION

After analyzing data from the company's performance (Mapfre Portugal), its competitors, cost of certification, behavior of ISO 9001 in the country and the benchmark with Spain (Mapfre and ISO 9001 in the country), we reached the conclusion that going into the quality certification on ISO 9001:2008 would not be worth for the company as it does not compensate the investment given the strategic objectives of the company and its current needs.

Thus, considering the general strategies the group Mapfre Assistance has set up, the recommendations will be addresses towards the following points:

- Improve and develop the net of suppliers. In this sense the company should negotiate better rates and deals with them in order to compete through costs as it is done in Spain and also to increase the options (network) per zone. It would allow improving reliability and responsiveness dimensions, which are two of the main concerns of customers for these types of services.
- Implement in Portugal the strategies presented in Project 360° for the whole group. These strategies focus a scope that reaches five actors: suppliers, employees, customers, corporate clients and partners, through the use of surveys and interviews as it was mentioned before. For Portugal it can be achieve through the use of the SERVQUAL model, but in an extended way that allow measuring all the GAPs<sup>55</sup> of the service business model and take the necessary actions to improve service.
- Keep working on internal control of the activities and make special emphasis on operators. SERVQUAL survey showed Assurance and Empathy as the lowest points in the service. This can be controlled by having the same interest for personal treatment as for the results of productivity level (number of missed

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<sup>55</sup> See Exhibit 19 for the graphic with the GAP's

calls, files opened, etc). Businesses rendering services must care about the solutions they give to customers but also on HOW they deal with customers as it can be generate negative impact as bad service would do.

Surely by implementing some of these strategies would bring more tangible results than incurring in the costs and work inherent to the quality certification process, mainly when it seems not to be recognized by the industry.

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## **Direct institutional information (Data)**

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- IPQ – Instituto Portugues da Qualidade  
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